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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ITEM 10

ID #12573

ENERGY DIVISION

RESOLUTION E-4625 (Rev. 1)

December 19, 2013

R E S O L U T I O N

Resolution E-4625. Review of San Diego Gas & Electric Company's (SDG&E) request for authorization to transfer the balance in the Cuyamaca Peak Energy Plant Memorandum Account (CPEPMA) into the Non-Fuel Generation Account (NGBA) for the purpose of rate recovery effective January 1, 2014 and then eliminate the CPEPMA.

PROPOSED OUTCOME: This resolution hereby grants SDG&E the authority to transfer the balance in the CPEPMA into the NGBA and then eliminate the CPEPMA.

SAFETY CONSIDERATIONS: This resolution reviews the balances that SDG&E has recorded in the Cuyamaca Peak Energy Plant (CPEP) memorandum account which it proposes to transfer to the Non-Fuel Generation Account (NGBA). SDG&E's operation of the CPEP is subject to all applicable local, state and federal safety rules and regulations. SDG&E's proposal to transfer the balances from the CPEP memorandum account to the NGBA has no incremental safety implications for its facilities or operations.

ESTIMATED COST: \$7.0 million in CPEP revenue requirement for January 1, 2012 through August, 2013.

By Advice Letter 2514-E Filed on August 30, 2013.

SUMMARY

SDG&E's request to transfer the balance in the Cuyamaca Peak Energy Plan Memorandum Account into the Non-Fuel Generation Account for recovery in

rates, complies with D.11-12-002 as modified by D.13-01-005, and D.13-05-010. SDG&E's request is approved.

By Advice Letter (AL) 2514-E, filed on August 30, 2013, San Diego Gas & Electric Company (SDG&E) requests authorization to transfer the balance in the Cuyamaca Peak Energy Plant Memorandum Account (CPEPMA) of \$7 million recorded in 2012 and 2013 into the Non-Fuel Generation Account (NGBA), for rate recovery effective January 1, 2014, and then eliminate the CPEPMA. The balance transfer and elimination of CPEPMA is in accordance with Commission Decision (D.) 11-12-002 issued on December 1, 2011 in Application (A.) 11-01-004 as modified by D.13-01-005 on January 10, 2013, and SDG&E's 2012 General Rate Case (GRC) D. 13-05-010 in A.10-12-005 adopted on May 9, 2013. This resolution hereby authorizes SDG&E to transfer the balance in the CPEPMA into the NGBA, for rate recovery effective January 1, 2014, and then eliminate the CPEPMA.

BACKGROUND

The Commission granted San Diego Gas & Electric Company authority to acquire the Cuyamaca Peak Energy Plant.

On January 5, 2011, SDG&E filed Application (A.)11-01-004 for authority to acquire the El Cajon Energy Facility from CalPeak Power-El Cajon LLC (CalPeak). Subsequent to the purchase transaction the plant name was changed to the Cuyamaca Peak Energy Plant.. The Cuyamaca Peak Energy Plant (CPEP) was a fully-constructed, operational peaker power plant located on SDG&E's property at its El Cajon substation. SDG&E had made this property available for the construction of a generation plant in response to rolling blackouts experienced throughout California in 2000. The land lease agreement between SDG&E and CalPeak, was for a duration of ten years. Upon termination of the lease, SDG&E had the right to purchase the plant based upon a fair market value assessment of predetermined plant components, less estimated site remediation costs. Had SDG&E declined to exercise this right, the facility would have been dismantled.

D.11-12-002 in A.11-01-004 granted SDG&E authority to purchase the CPEP from CalPeak for a total cost not to exceed \$16.8 million. D.11-12-002 also approved SDG&E's request to include the facility as part of its GRC base margin consistent with utility generation assets. D.11-12-002 determined that a decision in SDG&E's then pending 2012 GRC would not be adopted until after January 1, 2012, the expected in service date for the facility, and thus approved SDG&E's request to establish the CPEPMA to record the CPEP revenue requirement from January 1, 2012 until a decision on SDG&E's revenue requirements was adopted in the GRC. The decision allowed SDG&E to transfer the amounts recorded in the memorandum account to the NGBA for recovery in rates after a decision was issued in the GRC. D.11-12-002 further specified that the amount to be tracked in the memorandum account was not to exceed \$4.4 million in 2012. The cap was equivalent to SDG&E's projected 2012 revenue requirement.

The Commission allowed SDG&E to continue to track in the CPEPMA, revenue requirements until 2015 pending a final decision in SDG&E's 2012 GRC.

On November 16, 2012, SDG&E filed a Petition For Modification (PFM) to modify D.11-12-002, in response to the delay in final resolution of SDG&E's 2012 GRC A.10-12-005. In the PFM SDG&E requested to additionally track the annual revenue requirement after December 31, 2012 until a final decision was adopted in A.10-12-005. On January 10, 2013 the Commission adopted D.13-01-005 allowing SDG&E to track in the CPEPMA revenue requirements for years 2012 through 2015. D.13-01-005, consistent with the estimated annual revenue requirements in SDG&E's application, placed additional caps of \$4.1 million for 2013, \$4.0 million for 2014, and \$3.9 million for 2015.

SDG&E filed a Tier 3 advice letter requesting authority to eliminate the CPEPMA.

Pursuant to D.13-01-005 on August 30, 2013 SDG&E filed a Tier 3 advice letter, AL 2514-E, requesting authority from the Commission to transfer the balance in the CPEPMA into the NGBA for the purpose of rate recovery effective

January 1, 2014 and then eliminate the CPEPMA. Ordering Paragraph (OP) 2 of D.13-01-005, specifies that once a final decision in A.10-12-005 is issued SDG&E shall file a Tier 3 advice letter requesting Commission authorization to transfer the amounts tracked in the CPEPMA to the NGBA for rate recovery effective January 1, of the following year. A final decision, D.13-05-010, was adopted in A.10-12-005 on May 9, 2013.

NOTICE

Notice of AL 25140-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

No parties submitted protests to SDG&E AL 2514-E.

DISCUSSION

Energy Division has reviewed AL 2514-E. We follow with discussion of the relevant facts that lead to our approval of the advice letter.

SDG&E's AL 2514-E which requests authority to transfer the balance in the CPEPMA to the NGBA for recovery in rates on January 1, 2014 complies with D.11-12-002 as modified by D.13-01-005.

In D.11-12-002, as modified by D.13-01-005, we authorized SDG&E to purchase the CPEP at a cost of \$16.8 million, and allowed SDG&E to establish a memorandum account and record the revenue requirements from the date the plant is placed in service until a decision in SDG&E's 2012 GRC was issued. We also established that once a decision in SDG&E's 2012 GRC was issued, SDG&E should file a Tier 3 advice letter to seek authority to transfer the amounts tracked in the memorandum account to the NGBA for rate recovery effective January 1 of the following year. A decision in SDG&E's 2012 GRC was issued in May 2013 and on August 30, 2013 SDG&E filed Tier 3 AL 2514-E to request authority from the Commission to transfer the balances recorded in the CPEPMA during 2012 and 2013 into the NGBA for the purpose of rate recovery effective

January 1, 2014. AL 2514-E complies with D.11-12-002 as modified by D.13-01-005.

The recorded revenue requirements in the CPEPMA are below the caps for 2012 and 2013 set forth in D.11-12-002 and D.13-01-005.

In D.11-12-002 the Commission placed a cap of \$4.4 million on the costs tracked in the CPEPMA for 2012. In D.13-01-005, the Commission placed additional caps of \$4.1 million for 2013, \$4.0 million for 2014, and \$3.9 million for 2015. Attachment A to AL 2514-E shows the recorded revenue requirement in the CPEPMA for 2012 is \$4.2 million. Attachment B to AL 2514-E shows 2013 recorded activity in the CPEPMA through August 2013 of \$2.8 million for a total CPEPMA balance of \$7.0 million. These amounts are below the caps set forth in D.11-12-002 and D.13-01-005.

The Commission approves SDG&E's request in AL 2514-E to transfer the balance in the CPEPMA into the NGBA for recovery in rates effective January 1, 2014, and then eliminate the CPEPMA.

SDG&E submitted AL 2514-E to gain authorization to transfer the balance in the CPEPMA into the NGBA for the purpose of rate recovery effective January 1, 2014 and then eliminate the CPEPMA. The recorded revenue requirements in the CPEPMA, \$4.2 million for 2012 and \$2.8 million through August 2013, are below the caps the Commission ordered in D.11-12-002 for 2012 and in D.13-01-005 for 2013. The Energy Division's review of AL 2514-E and SDG&E's responses to data requests issued by Energy Division on the calculation of the CPEP revenue requirements indicates that the costs that SDG&E has recorded in the CPEPMA comply with D.11-12-002 as modified by D.13-01-005. SDG&E's request in AL 2514-E to eliminate the CPEPMA, once the balance recorded in the memorandum account has been transferred to the NGBA is granted, since the memorandum account will no longer be needed after the transfer has been made. As such SDG&E's request filed in AL 2514-E is approved.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was served on SDG&E and issued for public review and comment no later than 30 days prior to a vote of the Commission. No comments were submitted.

FINDINGS AND CONCLUSIONS

1. D.11-12-002 approved SDG&E's request to exercise an option to purchase the Cuyamaca Peak Energy Plant (CPEP) from CalPeak Power-El Cajon LLC for a total cost not to exceed \$16.8 million.
2. D.11-12-002 authorized SDG&E to establish the Cuyamaca Peak Energy Plant Memorandum Account (CPEPMA) to record the CPEP revenue requirement from the date the CPEP was placed in SDG&E's service until the date a decision adopting SDG&E's revenue requirements is issued in SDG&E's GRC A.10-12-005.
3. D.11-12-002 authorized SDG&E to transfer the accrued costs and associated revenue requirement in the memorandum account to the Non-Fuel Generation Balancing Account (NGBA) via a Tier 3 advice letter for rates effective January 1, 2013, once a decision was issued in its 2012 GRC A.10-12-005.
4. D.11-12-002 specified the amount to be tracked in the memorandum account was not to exceed \$4.4 million in 2012.
5. D.13-01-005, issued in response to SDG&E's Petition For Modification of D.11-12-002, allowed SDG&E to place additional caps of \$4.1 million for 2013, \$4.0 million for 2014, and \$3.9 million for 2015 on the revenue requirement to be recorded in the CPEPMA.
6. After a decision was issued in its 2012 GRC A.10-12-005, SDG&E filed Tier 3 advice letter, AL 2514-E on August 30, 2013, requesting authority from the Commission to transfer the balance in the CPEPMA into the NGBA for the purpose of rate recovery effective January 1, 2014 and then eliminate the CPEPMA.
7. Attachments A and B to SDG&E's AL 2514-E shows that the recorded revenue requirement in the CPEPMA for 2012 is \$4.2 million and the

recorded revenue requirement in the CPEPMA from January through August 2013 is \$2.8 million for a total CPEPMA balance of \$7.0 million.

8. The recorded revenue requirements in the CPEPMA for 2012 and 2013, are below the caps established by the Commission in D.11-12-002 for 2012 and in D.13-01-005 for 2013.
9. The Energy Division's review of AL 2514-E and SDG&E's responses to Energy Division's data requests on the calculation of the CPEP revenue requirements indicates that the revenue requirements that SDG&E has recorded in the CPEPMA are in compliance with Commission decisions D.11-12-002 as modified by D.13-01-005.
10. SDG&E should be authorized to transfer the balance in the CPEPMA into the NGBA for the purpose of rate recovery effective January 1, 2014 and then eliminate the CPEPMA.

THEREFORE IT IS ORDERED THAT:

1. The request of the SDG&E to transfer the balance in the CPEPMA into the NGBA for the purpose of rate recovery effective January 1, 2014 and then eliminate the CPEPMA as filed in Advice Letter AL 2514-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 19, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director